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# ***Svend Hoyer A/S***

Over Hadstenvej 42, DK-8370 Hadsten

## **Annual Report for 1 January - 31 December 2017**

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CVR No 17 63 06 95

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
26/4 2018

Henrik Petersen  
Chairman



**pwc**

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# Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Svend Hoyer A/S for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hadsten, 26 April 2018

## Executive Board

Henrik Petersen  
CEO

## Board of Directors

Søren Østergaard Sørensen  
Chairman

Denis Jean Jørgen Viet-  
Jacobsen  
Deputy Chairman

Michael Pontoppidan Frost

# Independent Auditor's Report

To the Shareholder of Svend Hoyer A/S

## Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Svend Hoyer A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

## Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstate-

# Independent Auditor's Report

ment, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events

# Independent Auditor's Report

in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus, 26 April 2018

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Henrik Kragh  
State Authorised Public Accountant  
mne26783

Claus Lyngsø Sørensen  
State Authorised Public Accountant  
mne34539

## **Company Information**

### **The Company**

Svend Hoyer A/S  
Over Hadstenvej 42  
DK-8370 Hadsten

CVR No: 17 63 06 95  
Financial period: 1 January - 31 December  
Municipality of reg. office: Favrskov

### **Board of Directors**

Søren Østergaard Sørensen, Chairman  
Denis Jean Jørgen Viet-Jacobsen  
Michael Pontoppidan Frost

### **Executive Board**

Henrik Petersen

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Nobelparken  
Jens Chr. Skous Vej 1  
DK-8000 Aarhus C

## Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017 kDKK	2016 kDKK 8 months	2015/16 kDKK	2014/15 kDKK	2013/14 kDKK
<b>Key figures</b>					
<b>Profit/loss</b>					
Revenue	380,217	237,386	388,817	365,544	337,616
Operating profit/loss	9,949	9,806	43,499	19,669	19,976
Net financials	-4,433	-6,338	-564	11,042	-1,857
Net profit/loss for the year	4,647	2,279	33,953	26,640	14,474
<b>Balance sheet</b>					
Balance sheet total	254,971	262,175	304,314	344,677	260,752
Equity	56,265	73,204	131,599	99,908	69,449
Investment in property, plant and equipment	2,556	1,626	852	18,243	3,467
Number of employees	84	86	90	80	78
<b>Ratios</b>					
Solvency ratio	22.1%	27.9%	43.2%	29.0%	26.6%
Return on equity	7.2%	2.2%	29.3%	31.5%	23.1%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

The financial year was changed in 2016 so that the balance sheet day is 31 December. The financial year 2016 was therefore a shortened period of 8 months.



## **Management's Review**

Financial Statements of Svend Hoyer A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Annual Report has been prepared under the same accounting policies as last year.

### **Key activities**

Hoyer is a leading supplier of customized low voltage electric motors and transmission products to the Marine and Industrial sectors, primarily in Europe and Asia. Hoyer sells own-branded as well as customer specific products and offers key value-added services to its customers, such as logistics, technical customization, quality assurance and technical documentation.

### **Development in the year**

The income statement of the Company for 2017 shows a profit of DKK 4,647,285, and at 31 December 2017 the balance sheet of the Company shows equity of DKK 56,264,746.

### ***Operating risks***

The Company's main operating risks are related to the ability to be strongly positioned on the markets where the Company's products are sold and the ability to provide quick delivery.

### ***Market risks***

As a result of its operations, investments and financing, the Company is exposed to changes in currency exchange rates and interest rates. The Company applies a finance policy that operates with a low risk profile, so that currency, interest and credit risks only materialize on the basis of commercial circumstances.

The Company's use of derivative financial instruments has been regulated through internal procedures approved by the Board of Directors, which among others include maximum amounts and a specification of which derivative financial instruments may be used.

### ***Foreign exchange risks***

The Company is affected by changes in currency exchange rates, as goods purchased and the main part of the turnover is invoiced in a foreign currency, while the main part of the costs, including wages and salaries, are mainly paid in Danish Kroner.

### ***Interest rate risks***

The Company hedges the interest rate risk by means of the interest policy approved by the Board of Directors.

# Management's Review

## *Credit risks*

The Company's policy for assuming credit risks means that all customers and other business partners are credit rated on an ongoing basis.

## *Liquidity risks*

The Company has credit facilities available exceeding the expected requirements of the Company.

## **Expected development**

The outlook for 2018 is positive due to expected benefits from the sales and operational improvement initiatives completed during 2017.

## **Statement of corporate social responsibility**

No separate statement has been made for Svend Hoyer A/S. Please refer to the statement for Hoyer Group A/S.

## **Statement on gender composition**

The Company believes that employee diversity, including a gender balance, contributes positively to the work environment and strengthens the Company's performance and competitiveness.

## *Policies*

The Company is continuously working on composing a management team where each member's qualifications complement the Company's strategic development in the best possible way.

It is the Company's policy not to discriminate and always appoint or recruit persons on the basis of their qualifications and match to the requested profile, regardless of gender, race, nationality or religious belief.

The Company is working on creating uniform conditions for leader aspirants, regardless of gender. It is aimed to achieve equal career opportunities for men and women through our employment and recruitment procedures and by the Company's investment in development and education. There has been no change in the gender composition of the leader group in 2017 compared to last year.

The Board of Directors of Svend Hoyer A/S currently consists of three members elected by the general meeting, who are all men. Despite changes in the Board of Directors in 2017 it has not been possible to find a suitable female candidate, which is why the objective of a female board member has not been met in 2017.

The aim is that, both genders should be equally represented both on the Board of Directors and on other

## **Management's Review**

levels of the management team before the end of 2021.

### **Uncertainty relating to recognition and measurement**

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

No extraordinary circumstances have taken place during the period, which have affected the profit for the period significantly.

### **Unusual events**

The financial position at 31 December 2017 of the Company and the results of the activities of the Company for the financial year for 2017 have not been affected by any unusual events.

## Income Statement 1 January - 31 December

	Note	2017 DKK	1/5-2016 - 31/12-2016 DKK
<b>Revenue</b>		<b>380,216,981</b>	<b>237,385,782</b>
Other operating income		732,877	0
Expenses for raw materials and consumables		-290,235,782	-175,756,140
Other external expenses		-34,207,036	-23,122,418
<b>Gross profit/loss</b>		<b>56,507,040</b>	<b>38,507,224</b>
Staff expenses	1	-43,365,041	-26,715,995
Depreciation and impairment of property, plant and equipment		-2,460,052	-1,985,395
Other operating expenses		-6,716	-19,987
<b>Profit/loss before financial income and expenses</b>		<b>10,675,231</b>	<b>9,785,847</b>
Income from investments in subsidiaries		-676,453	-1,312,677
Financial income	2	1,949,755	705,267
Financial expenses	3	-5,705,836	-5,730,532
<b>Profit/loss before tax</b>		<b>6,242,697</b>	<b>3,447,905</b>
Tax on profit/loss for the year	4	-1,595,412	-1,168,570
<b>Net profit/loss for the year</b>		<b>4,647,285</b>	<b>2,279,335</b>

# Balance Sheet 31 December

## Assets

	Note	2017 DKK	2016 DKK
Other fixtures and fittings, tools and equipment		5,343,985	5,520,799
<b>Property, plant and equipment</b>	5	<b>5,343,985</b>	<b>5,520,799</b>
Investments in subsidiaries	6	25,312,648	27,668,757
Receivables from group enterprises	7	1,682,229	1,665,492
Other investments	7	0	4,498
Deposits	7	692,994	694,314
<b>Fixed asset investments</b>		<b>27,687,871</b>	<b>30,033,061</b>
<b>Fixed assets</b>		<b>33,031,856</b>	<b>35,553,860</b>
Finished goods and goods for resale		149,614,500	156,889,050
<b>Inventories</b>		<b>149,614,500</b>	<b>156,889,050</b>
Trade receivables		56,178,157	49,437,364
Receivables from group enterprises		14,979,849	15,537,884
Other receivables		83,145	124,220
Deferred tax asset	11	585,609	654,215
Corporation tax		0	2,888,199
Prepayments	8	431,294	942,114
<b>Receivables</b>		<b>72,258,054</b>	<b>69,583,996</b>
<b>Cash at bank and in hand</b>		<b>67,052</b>	<b>148,023</b>
<b>Currents assets</b>		<b>221,939,606</b>	<b>226,621,069</b>
<b>Assets</b>		<b>254,971,462</b>	<b>262,174,929</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2017 DKK	2016 DKK
Share capital		1,000,000	1,000,000
Reserve for net revaluation under the equity method		21,705,865	24,061,974
Retained earnings		33,558,881	48,142,103
<b>Equity</b>	9	<b>56,264,746</b>	<b>73,204,077</b>
Other provisions	12	3,455,000	3,125,000
<b>Provisions</b>		<b>3,455,000</b>	<b>3,125,000</b>
Credit institutions		61,147,404	106,261,313
<b>Long-term debt</b>	13	<b>61,147,404</b>	<b>106,261,313</b>
Prepayments received from customers		0	754,586
Trade payables		58,448,658	33,356,345
Payables to group enterprises		59,313,706	33,424,252
Corporation tax		2,910,854	0
Other payables	14	13,431,094	12,049,356
<b>Short-term debt</b>		<b>134,104,312</b>	<b>79,584,539</b>
<b>Debt</b>		<b>195,251,716</b>	<b>185,845,852</b>
<b>Liabilities and equity</b>		<b>254,971,462</b>	<b>262,174,929</b>
Distribution of profit	10		
Contingent assets, liabilities and other financial obligations	15		
Related parties	16		
Accounting Policies	17		

## Statement of Changes in Equity

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	1,000,000	24,061,974	48,142,103	73,204,077
Exchange adjustments	0	-1,665,487	0	-1,665,487
Extraordinary dividend paid	0	0	-20,000,000	-20,000,000
Fair value adjustment of hedging instruments	0	0	101,124	101,124
Tax on adjustment of hedging instruments for the year	0	0	-22,247	-22,247
Other equity movements	0	-14,169	14,163	-6
Net profit/loss for the year	0	-676,453	5,323,738	4,647,285
<b>Equity at 31 December</b>	<b>1,000,000</b>	<b>21,705,865</b>	<b>33,558,881</b>	<b>56,264,746</b>

# Notes to the Financial Statements

	2017 DKK	1/5-2016 - 31/12-2016 DKK
<b>1 Staff expenses</b>		
Wages and salaries	39,583,395	24,203,141
Pensions	2,973,271	1,954,456
Other social security expenses	808,375	558,398
	<b>43,365,041</b>	<b>26,715,995</b>
<b>Average number of employees</b>	<b>84</b>	<b>86</b>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
<b>2 Financial income</b>		
Interest received from group enterprises	1,283,076	0
Other financial income	666,679	572,604
Exchange adjustments	0	132,663
	<b>1,949,755</b>	<b>705,267</b>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	2,332,249	1,965,295
Other financial expenses	2,987,711	3,765,237
Exchange loss	385,876	0
	<b>5,705,836</b>	<b>5,730,532</b>
<b>4 Tax on profit/loss for the year</b>		
Current tax for the year	1,549,053	1,361,801
Deferred tax for the year	68,606	-252,215
Adjustment of tax concerning previous years	0	83,017
	<b>1,617,659</b>	<b>1,192,603</b>
which breaks down as follows:		
Tax on profit/loss for the year	1,595,412	1,168,570
Tax on changes in equity	22,247	24,033
	<b>1,617,659</b>	<b>1,192,603</b>



# Notes to the Financial Statements

## 5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost at 1 January	21,563,207
Additions for the year	2,555,547
Disposals for the year	-2,247,542
Cost at 31 December	<u>21,871,212</u>
Impairment losses and depreciation at 1 January	16,042,408
Depreciation for the year	2,460,052
Reversal of impairment and depreciation of sold assets	-1,975,233
Impairment losses and depreciation at 31 December	<u>16,527,227</u>
<b>Carrying amount at 31 December</b>	<b><u>5,343,985</u></b>
Including assets under finance leases amounting to	<u>422,615</u>

## 6 Investments in subsidiaries

	2017 DKK	2016 DKK
Cost at 1 January	<u>3,606,783</u>	<u>3,606,783</u>
Cost at 31 December	<u>3,606,783</u>	<u>3,606,783</u>
Value adjustments at 1 January	24,061,974	25,148,869
Exchange adjustment	-1,665,487	240,641
Net profit/loss for the year	-676,453	-1,312,677
Other equity movements, net	-14,169	-14,859
Value adjustments at 31 December	<u>21,705,865</u>	<u>24,061,974</u>
<b>Carrying amount at 31 December</b>	<b><u>25,312,648</u></b>	<b><u>27,668,757</u></b>

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Svend Hoyer Power Transmission (Ningbo) Co., Ltd (sub-group)	Ningbo, China	100%	25,312,648	-676,453

# Notes to the Financial Statements

## 7 Other fixed asset investments

	Receivables from group enterprises <u>DKK</u>	Other investments <u>DKK</u>	Deposits <u>DKK</u>
Cost at 1 January	1,665,492	20,635	694,314
Additions for the year	16,737	0	1,388
Disposals for the year	0	-20,635	-2,708
Cost at 31 December	<u>1,682,229</u>	<u>0</u>	<u>692,994</u>
Impairment losses at 1 January	0	16,137	0
Reversal of impairment losses on sold assets	0	-16,137	0
Impairment losses at 31 December	<u>0</u>	<u>0</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>1,682,229</u></b>	<b><u>0</u></b>	<b><u>692,994</u></b>

## 8 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.

## 9 Equity

The share capital consists of 10,000 shares of a nominal value of DKK 100. No shares carry any special rights.

## 10 Distribution of profit

	<u>2017</u> DKK	1/5-2016 - <u>31/12-2016</u> DKK
Extraordinary dividend paid	20,000,000	61,000,000
Reserve for net revaluation under the equity method	-676,453	-1,312,677
Retained earnings	<u>-14,676,262</u>	<u>-57,407,988</u>
	<b><u>4,647,285</u></b>	<b><u>2,279,335</u></b>

## Notes to the Financial Statements

	2017	2016
	DKK	DKK
<b>11 Deferred tax asset</b>		
Property, plant and equipment	-246,809	-315,415
Amortization	-338,800	-338,800
Transferred to deferred tax asset	585,609	654,215
	<u>0</u>	<u>0</u>
<b>Deferred tax asset</b>		
Calculated tax asset	585,609	654,215
<b>Carrying amount</b>	<u>585,609</u>	<u>654,215</u>

## 12 Other provisions

The Company provides warranties on some of its products and is therefore obliged to repair or replace goods which are not satisfactory. Based on previous experience in respect of the level of repairs and returns, other provisions have been recognised for expected warranty claims.

Other provisions	3,455,000	3,125,000
	<u>3,455,000</u>	<u>3,125,000</u>

## 13 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

### Credit institutions

Between 1 and 5 years	61,147,404	106,261,313
Long-term part	61,147,404	106,261,313
Within 1 year	0	0
	<u>61,147,404</u>	<u>106,261,313</u>

# Notes to the Financial Statements

## 14 Derivative financial instruments

Derivative financial instruments contracts in the form of interest caps have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

Liabilities	320,217	421,341
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Interest cap contracts have been concluded to hedge future interest payments on floating rate loans. The contracts have a term of 2,5 years. Under the contracts, floating interest rates can not exceed a fixed rate of interest of 3,25 % on loans with a principal amount of DKK 66 million. The interest cap contract has been concluded for the entire remaining maturity period.

## Notes to the Financial Statements

	<u>2017</u> DKK	<u>2016</u> DKK
<b>15 Contingent assets, liabilities and other financial obligations</b>		
<b>Rental and lease obligations</b>		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	9,120,826	8,783,553
Between 1 and 5 years	34,712,141	35,915,114
After 5 years	<u>41,712,716</u>	<u>47,959,673</u>
	<b><u>85,545,683</u></b>	<b><u>92,658,340</u></b>
 Including to group enterprises		
 Rental and lease obligations	 75,357,296	 81,269,513

### Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Hoyer Group A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 16 Related parties

	<u>Basis</u>
<b>Controlling interest</b>	
Xilos Co-Investment No. 1 Separate Limited Partnership Jersey United Kingdom	Majority shareholder of Hoyer Group A/S
Hoyer Group A/S Copenhagen Denmark	Majority shareholder of Svend Hoyer Holding A/S
Svend Hoyer Holding A/S Hadsten Denmark	Majority shareholder of Svend Hoyer A/S

### Transactions

	<u>2017</u>	<u>1/5-2016 - 31/12-2016</u>
	DKK	DKK
Revenue	72,379,834	42,522,442
Goods purchased	-44,091,882	-23,255,561
Administration fee	-3,026,836	-1,455,701
Management fee	-2,988,727	-1,127,156
Interest income	1,283,076	0
Interest expenses	-2,332,249	-1,965,295

### Consolidated Financial Statements

The company is included in the Group Annual Report of

<u>Name</u>	<u>Place of registered office</u>
Hoyer Group A/S	Copenhagen

# Notes to the Financial Statements

## 17 Accounting Policies

The Annual Report of Svend Hoyer A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in DKK.

### Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of Hoyer Group A/S, the Company has not prepared consolidated financial statements.

### Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of Hoyer Group A/S, the Company has not prepared a cash flow statement.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

### Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

### Hedge accounting

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

## Income Statement

### Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

In accordance with section 96(1) of the Danish Financial Statements Acts, disclosures on revenue broken down by business segments are not provided as the Company's Executive Board and Board of Directors assess that such disclosures would be very detrimental to the Company.



# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### **Expenses for raw materials and consumables**

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue recognised.

### **Other external expenses**

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

### **Staff expenses**

Staff expenses comprise wages and salaries as well as payroll expenses other than wages.

### **Depreciation and impairment losses**

Depreciation and impairment losses comprise depreciation and impairment of property, plant and equipment.

### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

### **Income from investments in subsidiaries**

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit for the year.

### **Financial income and expenses**

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

### **Tax on profit/loss for the year**

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### Balance Sheet

#### Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment      3-10    years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,200 are expensed in the year of acquisition.

#### Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation.

If so, the asset is written down to its lower recoverable amount.

#### Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

### **Other fixed asset investments**

Other fixed asset investments consist of deposits and other investments.

### **Inventories**

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale equals landed cost.

### **Receivables**

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

### **Prepayments**

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

### **Provisions**

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period. Provisions are measured and recognised based on experience with guarantee work.

### **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legisla-

# Notes to the Financial Statements

## 17 Accounting Policies (continued)

tion at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

### Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

### Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

## Financial Highlights

### Explanation of financial ratios

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

Return on equity

$$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$$